

MOHAVE COUNTY AIRPORT AUTHORITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 1989

MOHAVE COUNTY AIRPORT AUTHORITY, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 1989

TABLE OF CONTENTS

	<u>Page</u>
General Purpose Financial Statements	
Auditors' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types	4
Notes to Financial Statements	5-12
Schedule of General and Administrative Expenses	13
Schedule of Federal Financial Assistance	14-15
Report on Internal Control Based on the Understanding Obtained in the Financial Statement Audit	16-17
Report on Internal Control Relevant to Administering Federal Financial Assistance Programs	18-20
Report on Compliance with Laws and Regulations Based on the Financial Statement Audit	21-22
Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs	23-24
Report on Compliance with General Requirements Applicable to Major Federal Financial Assistance Programs	25
Report on Compliance with Requirements Applicable to Nonmajor Federal Financial Assistance Programs	26
Schedule of Findings and Questioned Costs	27



Voordeckers & Mosby  
Certified Public Accountants

Robert J. Voordeckers, CPA

Robin R. Mosby, CPA

Board of Directors  
Mohave County Airport Authority, Inc.  
Kingman, Arizona

We have audited the accompanying general purpose financial statements of the Mohave County Airport Authority, Inc. as of and for the year ended June 30, 1989, as listed in the table of contents. These general purpose financial statements are the responsibility of the Mohave County Airport Authority, Inc. management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly the financial position of the Mohave County Airport Authority, Inc. at June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Mohave County Airport Authority, Inc. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Voordeckers & Mosby*  
Certified Public Accountants  
August 11, 1989



MOHAVE COUNTY AIRPORT AUTHORITY, INC.  
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1989

ASSETS

	<u>General Fund</u>	<u>General Fixed Asset Accounts</u>	<u>General Long-Term Debt Accounts</u>	<u>Totals (Memorandum Only)</u>
Cash and Cash Equivalents	\$ 355,129			\$ 355,129
Accounts Receivable				
Due from Grants	249,128			249,128
Accrued Interest Income	1,065			1,065
Refundable Deposits	344			344
Prepaid Expenses	6,275			6,275
Property & Equipment, net of accumulated depreciation		\$ 2,627,695		2,627,695
Construction in Progress		410,731		410,731
Industrial Park Plan, net of accumulated amortization		3,720		3,720
Amount to be Provided for Retirement of Long-Term Debt			\$ 37,410	37,410
 Total Assets	 \$ 611,941 =====	 \$ 3,042,146 =====	 \$ 37,410 =====	 \$ 3,691,497 =====

LIABILITIES AND FUND EQUITY

Current Portion of Long-Term Debt	\$ 32,949			\$ 32,949
Accounts Payable	11,029			11,029
Contracts Payable-Grant Exp.	248,761			248,761
Payroll Taxes Payable	3,379			3,379
Accrued Salaries & Wages	4,268			4,268
Accrued Interest Payable	272			272
Deferred Revenue	5,325			5,325
Long-Term Debt - Net of Current Portion			\$ 37,410	37,410
 Total Liabilities	 305,983 _____		 37,410 _____	 343,393 _____
 Fund Equity				
Investment-Fixed Assets		\$ 3,042,146		3,042,146
Reserved Fund Balance	740,047			740,047
Unreserved Fund Balance	(434,089)			(434,089)
 Total Fund Equity	 305,958 _____	 3,042,146 _____		 3,348,104 _____
 Total Liabilities and Fund Equity	 \$ 611,941 =====	 \$ 3,042,146 =====	 \$ 37,410 =====	 \$ 3,691,497 =====

See Accompanying Notes To Financial Statements

MOHAVE COUNTY AIRPORT AUTHORITY, INC.  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE-ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1989

	<u>General Fund</u>
Revenues	
Rents-Leases and Tie Downs	\$ 158,210
Interest Income	16,946
Proceeds of Land Sale	343,000
Mohave County	7,445
Federal Grants	330,794
State Grants	26,746
Other Revenues	<u>73,422</u>
Total Revenues	<u>956,563</u>
Expenditures	
General and Administrative	295,096
Capital Expenditures	437,214
Debt Service	
Principal Retirement	51,635
Interest	<u>8,072</u>
Total Expenditures	<u>792,017</u>
Excess Revenues Over (Expenditures)	164,546
Other Financing Sources	
Proceeds from Long-Term Debt	<u>41,886</u>
Excess Revenues and Other Sources Over (Expenditures)	206,432
Unreserved Fund Balance (Deficit)-Beginning	(329,136)
Increase in Reserved Fund Balance	<u>(311,385)</u>
Unreserved Fund Balance (Deficit)-Ending	\$ (434,089) =====

See Accompanying Notes To Financial Statements



MOHAVE COUNTY AIRPORT AUTHORITY, INC  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 1989

	General Fund (Non-GAAP)		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues			
Rents-Leases and Tie Downs	\$ 95,303	\$ 158,210	\$ 62,907
Interest Income	2,400	15,881	13,481
Proceeds of Land Sale	173,800	343,000	169,200
Mohave County		7,445	7,445
Federal Grants	162,411	134,949	(27,462)
State Grants	6,794	5,760	(1,034)
Other Revenues	<u>59,500</u>	<u>73,422</u>	<u>13,922</u>
Total Revenues	<u>500,208</u>	<u>738,667</u>	<u>238,459</u>
Expenditures			
General and Administrative	301,895	286,649	15,246
Capital Expenditures	257,590	222,771	34,819
Debt Service	<u>30,000</u>	<u>59,435</u>	<u>(29,435)</u>
Total Expenditures	<u>589,485</u>	<u>568,855</u>	<u>20,630</u>
Excess Revenues Over (Expenditures)	<u>(89,277)</u>	<u>169,812</u>	<u>259,089</u>
Other Financing Sources			
Proceeds from Long-Term Debt		<u>41,886</u>	<u>41,886</u>
Excess Revenues and Other Sources Over (Expenditures)	\$ (89,277) =====	211,698	\$ 300,975 =====
Unreserved Fund Balance (Deficit)-Beginning		(329,136)	
Reclassification to Reserved Fund Balance		(311,385)	
Adjustments to Conform with Generally Accepted Accounting Principles		<u>(5,266)</u>	
Unreserved Fund Balance (Deficit)- Ending (GAAP Basis)		<u>\$ (434,089)</u> =====	

See Accompanying Notes To Financial Statements

MOHAVE COUNTY AIRPORT AUTHORITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1989

1. Summary of Accounting Policies

The Mohave County Airport Authority, Inc. was incorporated in the state of Arizona in January 1979 as a nonprofit corporation. The authority operates, maintains, and manages the Kingman Airport and Industrial Park for the City of Kingman, and the Bullhead City Airport for Mohave County in the State of Arizona. The authority is administered by the board of directors who are elected by the membership of the authority.

During the year, Mohave County transferred the Kingman Airport and Industrial Park to the City of Kingman. As part of the transfer, the Mohave County Airport Authority, Inc. lease was transferred to the City of Kingman as lessor. All operations and duties of the authority have remained the same.

The authority is considered to be a political subdivision of the state of Arizona, Mohave County and the City of Kingman with the responsibility of carrying out the functions of airport management, maintenance and operation. The accounting policies of the authority conform with generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

Reporting Entity

The authority is an autonomous reporting entity. The financial statements presented include all of the funds and account groups relevant to the operations of the Mohave County Airport Authority, Inc.

Fund Accounting

The accounts of the authority are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. All operations of the authority are accounted for in its general fund and related account groups.

The authority leases the real property, on which the airports and industrial park is located, from Mohave County and the City of Kingman under a long term lease. Primary sources of funding for the authority are rents from subleasing real property, tie down fees at the Kingman Airport, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the general fund include the management, maintenance, and development of the Kingman and Bullhead City Airports and the Kingman Airport Industrial Park.



## Property and Equipment and Long-Term Liabilities

The accounting and reporting treatment applied to property and equipment and long-term liabilities associated with a fund are determined by its measurement focus. The governmental general fund type used by the authority is accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance (net current assets) is considered a measure of "available spendable, resources". Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property and equipment used in the general fund are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. An allowance for accumulated depreciation is recorded as a reduction of the investment in fixed assets account. No depreciation has been recorded in the statement of revenues, expenditures, and changes in fund balance.

All property and equipment are valued at historical cost. The authority has adopted a policy of capitalizing "infrastructure" general fixed assets (roads, lighting, drainage, sewer, water, and other similar assets).

Long-term liability expected to be financed from the general fund are accounted for in the General Long-Term Debt Account Group, not in the general fund.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

## Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The governmental general fund used by the authority is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Lease revenues are recorded at the time they become due. Revenues from grants are recognized when they become available from the granting agency, usually as the related costs are incurred on construction projects. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.



## Budgets and Budgetary Accounting

The authority adopts an annual budget as a management control device. The budget is prepared on a cash basis, which is a different basis of accounting than is used to present the financial statements.

The statement of revenues, expenditures, and changes in fund balance-budget and actual presents comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant timing differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 1989, is as follows:

Excess of revenues and other sources over (expenditures) (budgetary basis)	\$ 211,698
Adjustments:	
To remove beginning accrued revenues	(26,972)
To add back beginning accrued expenditures	41,168
To add back ending accrued revenues	250,193
To deduct ending accrued expenditures	(264,330)
To deduct ending deferred revenue	<u>(5,325)</u>

Excess of revenues and other sources over (expenditures) (GAAP basis)	\$ 206,432 =====
--	---------------------

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

## Reserves of Fund Equity

The authority records reserves to indicate that a portion of the fund equity is segregated for a specific future use. The authority is obligated to invest the proceeds from sales of real property in the Kingman Airport Industrial Park in improvements to the Kingman Airport. The authority has five years from the sale of real property to the expenditure of funds for airport improvements.

## Total Columns on Combined Statements

Total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.



## 2. Cash and Cash Equivalents

Cash and cash equivalents are consolidated for balance sheet presentation. Cash and cash equivalents consist of the following at June 30, 1989:

Petty Cash Fund	\$	75
Deposits in non-interest bearing checking accounts		10,816
Deposits in market interest checking accounts bearing interest of 5%		37,483
Deposits in market interest savings accounts bearing interest of 5.6%		56,362
Certificates of Deposit, bearing interest of 8.5% - 9.75%		<u>250,393</u>
	\$	<u>355,129</u>

A certificate of deposit with a balance of \$15,000 has been pledged as security for the line of credit with a balance at June 30, 1989 of \$10,604.

## 3. Due from Grants

Amounts due from grants from the Federal and Arizona governments. Revenues are accrued on the construction projects based on the work completed to June 30, 1989. The related expenditures on the construction projects are accrued as contracts payable on the balance sheet.

## 4. Refundable Deposits

Amount of deposit with the state workmen's compensation fund based on the authority's estimated annual premium.



5. General Fixed Assets Account Group

The following is a summary of changes in the general fixed asset account group:

	Balance July 1, 1988	Additions	Deductions	Balance June 30, 1989
Land Improvements				
Airport	\$ 1,720,903	\$ 13,241		\$ 1,734,144
Land Improvements				
Industrial Park	1,018,243	7,531		1,025,774
Bldgns & Improvements				
Airport	147,698	3,025		150,723
Bldgns & Improvements				
Industrial Park	103,438			103,438
Furniture, Fixtures				
Equipment	28,674	11,448		40,122
Vehicles	<u>4,900</u>	<u>29,859</u>		<u>34,759</u>
	3,023,856	65,104		3,088,960
Accumulated Depreciation	<u>329,031</u>	<u>132,234</u>		<u>461,265</u>
Property & Equipment				
Net	2,694,825	(67,130)		2,627,695
Construction in Progress	72,463	368,831	\$ 30,563	410,731
Industrial Park Plan				
Net	<u>4,340</u>	<u>        </u>	<u>620</u>	<u>3,720</u>
	<u>\$ 2,771,628</u>	<u>\$ 301,701</u>	<u>\$ 31,183</u>	<u>\$ 3,042,146</u>
	=====	=====	=====	=====

Accumulated depreciation is recorded as a reduction of the investment in fixed assets, as discussed in note 1. Estimated useful lives used to compute accumulated depreciation on a straight line basis are as follows:

Land Improvements	10-30 years
Buildings & Improvements	10-25 Years
Furniture, Fixtures & Equipment	5-8 Years
Vehicles	3 years

The industrial park plan is being amortized over a 15 year period.



6. Long-Term Debt

Long-Term Debt consists of the following:

Note payable in monthly installments of \$740, including interest at prime plus 2%, unsecured, the note matures in 1991.	\$ 15,432
--	-----------

Note payable in monthly installments of \$1,000, plus interest at prime plus 2.25%, unsecured, the note matures in April 1992.	33,985
--	--------

Note payable in monthly installments of \$328, including interest at 12%, secured by a vehicle with an original cost of \$13,800, maturing in August 1992.	10,338
--	--------

Line of credit with a maximum balance of \$95,000, interest payable monthly at 10.85%, maturing in March 1990, expected to be renewed, secured by a certificate of deposit with a balance of \$15,000.	<u>10,604</u>
--	---------------

70,359

Less Current Portion	<u>32,949</u>
----------------------	---------------

\$ 37,410  
=====

Maturing as Follows:

Year ended 6/30/90	\$ 32,949
6/30/91	23,155
6/30/92	13,608
6/30/93	<u>647</u>
	\$ 70,359 =====

At June 30, 1989, the authority had \$84,396 of unused line of credit available to borrow at 10.85% interest.

7. Deferred Revenue

During the year, the Mohave County Airport Authority, Inc. received a grant from the Arizona Department of Commerce for \$5,325, to be used in the production of a promotional video for the Kingman area. Costs of production on the video have not yet been incurred; and, therefore, the recognition of revenue received from the grant has been deferred.



## 8. Reserved Fund Balance

As discussed in Note 1, the authority is obligated by the Federal Aviation Administration to invest the proceeds of land sales in the Kingman Industrial Park in improvements to the Kingman Airport within five years from the date of the sale. The amount obligated to be spent for airport improvements in the reserved fund balance at June 30, 1989 is \$740,047.

The FAA, which oversees the obligation, accounts for land sales and the related investment in airport improvements on a calendar year basis. At December 31, 1988 the authority had exceeded its obligation for airport improvements by \$125,759.

As of June 30, 1989, the authority is obligated to invest in airport improvements as follows:

Six months ending December 31, 1989	\$ 37,841
Year ending December 31, 1990	63,026
Year ending December 31, 1991	113,970
Year ending December 31, 1992	58,195
Year ending December 31, 1993	460,015
Year ending December 31, 1994	<u>7,000</u>
	\$ 740,047
	=====

## Lease Revenues

As discussed in note 1, the authority subleases under operating leases, certain real property and improvements. As part of these leases the authority is subleasing the Bullhead City Airport to an unrelated corporation. The lessee operates the Bullhead City Airport.

Cost of improvements made by the authority that are being leased is \$209,537 with related accumulated depreciation of \$55,762.

The operating leases have varying terms ranging from a month to month basis to twenty-five years. Most leases extending over a one year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

Minimum future rentals to be received on non-cancelable leases as of June 30, 1989 for each of the next five years and in the aggregate are:

Year ended June 30, 1990	\$ 100,613
June 30, 1991	80,640
June 30, 1992	77,940
June 30, 1993	69,300
June 30, 1994	68,100
Years thereafter	<u>1,159,600</u>
Total minimum future rentals	\$ 1,556,193
	=====



#### 10. Commitments

As discussed in note 1, the authority leases the real property of the Kingman and Bullhead City Airports and the Kingman Industrial Park from Mohave County and the City of Kingman. The term of the lease is for twenty-five years, expiring in the year 2011, with an option to renew for an additional twenty-five years. Rents on the leases are payable in annual installments of one dollar.

#### 11. Related Party Transactions

During the year, the authority purchased an auto from a company owned by an officer and a director of the authority for \$13,816. The vehicle was purchased after receiving bids from various car dealers.

Also, a parcel of land was sold to a company owned by an officer and a director of the authority for \$12,000. The land was sold for its appraised value, at public auction.



MOHAVE COUNTY AIRPORT AUTHORITY, INC.  
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1989

	<u>General Fund</u>
Salaries and Wages	\$ 101,746
Payroll Tax Expense	8,613
Workmen's Compensation	1,877
Advertising and Promotion	1,016
Auto and Travel	4,556
Dues and Subscriptions	476
Equipment Rental	1,600
Fuel and Oil	3,918
Insurance-General	14,343
Insurance-Group	6,150
Legal Publication	4,149
Miscellaneous	970
Office Expense	6,537
Outside Services	13,410
Professional Fees-Legal	56,822
Professional Fees-Accounting	20,350
Repairs and Maintenance	4,088
Supplies	5,701
Surveying, Appraisals and Fees	7,547
Telephone	5,366
Utilities	<u>25,862</u>
	\$ 295,097
	=====



MOHAVE COUNTY AIRPORT AUTHORITY, INC.  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 1989

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
U.S. Dept. of Transportation Federal Aviation Administration Airport Improvement Program Project # AIP-3-04-0006-02 Contract # DTFA 08-88-C-20458	20.102		\$ 2,800,000
Airport Improvement Program Project # AIP-3-04-0021-04 Contract # DTFA 08-87-C-20348	20.102		138,411
U.S. Dept. of Commerce Economic Development Administration Project # 07-01-02816	14.218		251,626



Revenue				
<u>Accured at</u> <u>July 1, 1988</u>	<u>Received During</u> <u>Current Year</u>	<u>Accured at</u> <u>June 30, 1989</u>	<u>Total</u>	<u>Expenditures</u>
	\$ 99,117	\$ 220,599	\$ 319,716	\$ 319,716
	8,860	2,218	11,078	11,078
\$ 26,972	26,972			
26,972	\$ 134,949	\$ 222,817	\$ 330,794	\$ 330,794
=====	=====	=====	=====	=====



# Voordeckers & Mosby

Certified Public Accountants

Robert J. Voordeckers, CPA

Robin R. Mosby, CPA

Board of Directors  
Mohave County Airport Authority, Inc.  
Kingman, Arizona

We have audited the general purpose financial statements of the Mohave County Airport Authority, Inc., for the year ended June 30, 1989 and have issued our report thereon dated August 11, 1989. These general purpose financial statements are the responsibility of the Mohave County Airport Authority, Inc. management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit in accordance with these standards included examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Mohave County Airport Authority, Inc. taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Voordeckers & Mosby*  
Certified Public Accountants  
August 11, 1989



# Voordeckers & Mosby

Certified Public Accountants

Robert J. Voordeckers, CPA

Robin R. Mosby, CPA

Board of Directors  
Mohave County Airport Authority, Inc.  
Kingman, Arizona

We have audited the financial statements of the Mohave County Airport Authority, Inc., for the year ended June 30, 1989 and have issued our report thereon dated August 11, 1989.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Mohave County Airport Authority, Inc. for the year ended June 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Mohave County Airport Authority, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Financing
- Revenue/Receipts
- Expenditures - Purchasing and Payroll
- External Financial Reporting

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.



We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Due to the limited number of administrative personnel there is an absence of segregation of duties in administrative and accounting functions. The absence of segregation of duties creates inherent limitations in the internal control system. Although duties are segregated when possible, at the present time management does not believe there is a sufficient volume to warrant hiring the additional employees that would be needed to achieve a significant separation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the absence of segregation of duties, as discussed above, is a material weakness.

This report is intended for the information of the board of directors, management, and all applicable federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Voordeckers & Mosby*  
Certified Public Accountants  
August 11, 1989



# Voordeckers & Mosby

Certified Public Accountants

Robert J. Voordeckers, CPA

Robin R. Mosby, CPA

Board of Directors  
Mohave County Airport Authority, Inc.  
Kingman, Arizona

We have audited the general purpose financial statements of the Mohave County Airport Authority, Inc., for the year ended June 30, 1989, and have issued our report thereon dated August 11, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, "Audits of State and Local Governments." For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

## Accounting Controls

- Financing
- Revenue/receipts
- Expenditure - purchasing and payroll
- External financial reporting

## Administrative Controls - General

- Political activity
- Davis - Bacon Act
- Civil rights
- Cash management
- Federal financial reports

## Administrative Controls - Specific

- Types of service
- Matching level of efforts
- Reporting

The management of the Mohave County Airport Authority, Inc. is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.



Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed in the first paragraph. During the year ended June 30, 1989, the Mohave County Airport Authority, Inc. expended 100% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the Mohave County Airport Authority, Inc., our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of the Mohave County Airport Authority, Inc. did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Mohave County Airport Authority, Inc. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Mohave County Airport Authority, Inc. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Mohave County Airport Authority, Inc.

Also, our audit, made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.



Due to the limited number of administrative personnel there is an absence of segregation of duties in administrative and accounting functions. The absence of segregation of duties creates inherent limitations in the internal control system and weaknesses are likely to exist. Although duties are segregated when possible, at the present time management does not believe there is a sufficient volume to warrant hiring the additional employees that would be needed to achieve a significant separation of duties.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the June 30, 1989 general purpose financial statements and (2) our audit and review of the Authority's compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the Authority's compliance with laws and regulations dated August 11, 1989.

This report is intended solely for the use of the board of directors, management, and all applicable federal and state agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Mohave County Airport Authority, Inc., is a matter of public record.

*Voordeckers & Mosby*  
Certified Public Accountants

August 11, 1989



# Voordeckers & Mosby

Certified Public Accountants

Robert J. Voordeckers, CPA

Robin R. Mosby, CPA

Board of Directors  
Mohave County Airport Authority, Inc.  
Kingman, Arizona

We have audited the financial statements of the Mohave County Airport Authority, Inc., as of and for the year ended June 30, 1989, and have issued our report thereon dated August 11, 1989.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Mohave County Airport Authority, Inc. is the responsibility of the Mohave County Airport Authority, Inc. management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Mohave County Airport Authority, Inc. compliance with certain provisions of laws, regulations, contracts, and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contract, or grants, that cause us to conclude that the aggregation of misstatements resulting from those failures or violations are material to the financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance.

On a construction project for the expansion of the Bullhead City airport, AIP project no. 3-04-0006-02, the authority failed to meet a requirement that 10% of the work be performed by disadvantaged business enterprises (DBE). The failure occurred because the initial phase of the grant consisted of earth moving and grading, with minimal amounts of work available to subcontract to DBE's. The authority has worked with the Federal Aviation Administration to bring the project back into compliance. Subsequent to the the authority's year end, an agreement was reached that the authority would contract with a DBE to provide security fencing on the project. Upon awarding the fencing contract, the FAA civil rights officer has determined that the authority will meet the DBE requirement on the project.



We considered these material instances of noncompliance in forming our opinion on whether the Mohave County Airport Authority, Inc.'s June 30, 1989 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated August 11, 1989 on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the Mohave County Airport Authority, Inc., in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the Mohave County Airport Authority, Inc. had not complied, in all material respects, with those provisions.

This report is intended for the information of the board of directors, management, and all applicable federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Voordeckers & Mosby*  
Certified Public Accountants  
August 11, 1989



**Voordeckers & Mosby**  
Certified Public Accountants

Robert J. Voordeckers, CPA

Robin R. Mosby, CPA

**Board of Directors**

Mohave County Airport Authority, Inc.  
Kingman, Arizona

We have audited the Mohave County Airport Authority, Inc.'s compliance with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1989. The management of the Mohave County Airport Authority, Inc. is responsible for the authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures for the major program for the expansion of the Bullhead City airport, AIP project no. 3-04-0006-02, disclosed that the authority failed to meet a requirement that 10% of the work be performed by disadvantaged business enterprises (DBE). The failure occurred because the initial phase of the grant consisted of earth moving and grading, with minimal amounts of work available to subcontract to DBE's. The authority has worked with the Federal Aviation Administration to bring the project back into compliance. Subsequent to the authority's year end, an agreement was reached that the authority would contract with a DBE to provide security fencing on the project. Upon awarding the fencing contract, the FAA civil rights officer has determined that the authority will meet the DBE requirement on the project.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.



In our opinion, except for those instances of noncompliance with the requirements applicable to the major program referred to in the third paragraph of this report and identified in the accompanying schedule of findings and questioned costs, the Mohave County Airport Authority, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1989.

*Voorduekers & Mosby*  
Certified Public Accountants  
August 11, 1989



Voordeckers & Mosby  
Certified Public Accountants

Robert J. Voordeckers, CPA

Robin R. Mosby, CPA

Board of Directors  
Mohave County Airport Authority, Inc.  
Kingman, Arizona

We have applied procedures to test the Mohave County Airport Authority, Inc.'s compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1989: political activity, Davis-Bacon Act, civil rights, cash management, and federal financial reports.

Our procedures were limited to those set forth in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Mohave County Airport Authority, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Mohave County Airport Authority, Inc. had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the board of directors, management, and all applicable federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Voordeckers & Mosby*  
Certified Public Accountants  
August 11, 1989



# Voordeckers & Mosby

Certified Public Accountants

Robert J. Voordeckers, CPA

Robin R. Mosby, CPA

Board of Directors  
Mohave County Airport Authority, Inc.  
Kingman, Arizona

In connection with our audit of the June 30, 1989 financial statements of the Mohave County Airport Authority, Inc. and with our study and evaluation of the authority's internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1989. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the authority's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Mohave County Airport Authority, Inc. had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the board of directors, management, and all applicable federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Voordeckers & Mosby*  
Certified Public Accountants  
August 11, 1989



MOHAVE COUNTY AIRPORT AUTHORITY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 1989

1. U.S. Department of Transportation - FAA Project # AIP 3-04-0006-02

The authority failed to meet a requirement that 10% of the work be performed by disadvantaged business enterprises (DBE). The failure occurred because the initial phase of the grant consisted of earth moving and grading, with minimal amounts of work available to subcontract to DBE's. The authority has worked with the Federal Aviation Administration to bring the project back into compliance. Subsequent to the authority's year end, an agreement was reached that the authority would contract with a DBE to provide security fencing on the project. Upon awarding the fencing contract, the FAA civil rights officer has determined that the authority will meet the DBE requirement on the project.

2. General Requirements - Civil Rights

During the year, Phillip Aaron, President of Golden Pacific Airlines, Inc. filed a civil rights complaint against the Mohave County Airport Authority, Inc. with the U.S. Department of Transportation. Golden Pacific Airlines, Inc. had provided commuter air service to Kingman, Az. and had leased terminal and hangar space at the Kingman Airport. The Mohave County Airport Authority, Inc. has vigorously denied the allegations in a response to the U.S. Department of Transportation, and their position is that the allegations are unfounded.



